

Surplus Lines Coverage FAQs

1. When is it acceptable to write coverage in the surplus lines market?

It is acceptable to write coverage after the producer (agent) has engaged the process of searching for coverage with authorized insurers or when a Michigan resident insists that insurance be placed with an unauthorized insurer that is not recognized by the commissioner as eligible. The provisions of [MCL 500.1910\(2\)\(d\)](#), [MCL 500.1910\(3\)](#), [MCL 500.1920\(1\)](#), and [MCL 500.1950](#) contemplate that a producer will make a search of authorized insurers in order to subsequently qualify the coverage as eligible to be written by a surplus lines insurer and that the producer offer surplus lines insurance only to insurers that are in stable and unimpaired financial condition.

Alternately, if the type of coverage is listed on the OFIR website on the [Surplus Lines Eligible Insurance Coverages List \(Export List\)](#), then a producer could automatically represent an insurer that could write that coverage in the surplus lines market.

2. Must I be a licensed producer in order to represent a surplus lines carrier in providing coverage to a potential policyholder?

Yes, the Michigan Insurance Code [Chapter 12](#) and [Chapter 19](#) require that producers be duly licensed in Michigan.

3. As a producer in Michigan, what other requirements must I be cognizant of with regard to writing insurance in the surplus lines market?

Licensing

[How to become licensed as a Resident Surplus Lines Producer](#)

[How to become licensed as a Non-Resident Surplus Lines Producer](#)

Notice must be delivered to Policyholder

Per [MCL 500.1922](#), "Each policy, cover note, or other instrument evidencing surplus lines insurance which is to be delivered to an insured or a representative of an insured shall have printed, typed, or stamped in red ink upon its face, in not less than 10-point type, the following notice: 'This insurance has been placed with an insurer that is not licensed by the state of Michigan. In case of insolvency, payment of claims may not be guaranteed' This notice shall not be covered over or concealed in any manner."

Evidence of Placement with Eligible Unauthorized Insurer

Per [MCL 500.1950](#), the licensee placing coverage with an insurer which is neither an

authorized insurer nor an eligible unauthorized insurer shall:

- a) Mail or deliver to the resident the following notice: "This insurance has been placed with an insurer not licensed by the state of Michigan nor recognized by the insurance commissioner as an eligible unauthorized insurer. In case of any dispute relative to the terms or conditions of the policy or the practices of the insurer, the insurance commissioner may not be able to assist in the dispute. In case of insolvency, payment of claims is not guaranteed." A copy of the notice shall be filed with the commissioner.
- b) Collect from the resident insured appropriate premium taxes and report the transaction to the commissioner on a form prescribed by the commissioner. If the resident insured fails to pay the taxes when due, the insured shall be subject to a civil fine of not more than \$1,000.00, plus accrued interest from the inception of the insurance."

Surplus Lines Taxes / Fees

Per [MCL 500.1915](#), "A licensee may not charge, in addition to the premium charged by an unauthorized insurer, a fee to cover the costs incurred in the placement of the indemnity which exceeds \$50.00, unless the provisions in [MCL 500.1915](#) are met. The \$50.00 fee is adjusted annually to reflect the percentage of change in the consumer price index (CPI) and shall not be included as a part of the policy premium in the computation of premium taxes."

4. What is the Export List?

The [Export List](#) is a list of insurance coverages that are generally unavailable in the authorized insurance market.

Once a type of coverage is added to this list, for the period it remains on the list, producers are no longer required to engage the process of searching to place coverage with an authorized insurer. However, the producer is still responsible for ensuring that the insurer is in a stable and unimpaired financial condition.

5. Who may request coverage be added or deleted from the Export List?

Anyone

6. What must I include in order for my addition or deletion request to be considered for approval?

- a. The specific type of coverage, which should only be a subset of a line of insurance.

- b. If an ADDITION request, extensive data proving that the coverage is generally unavailable in the authorized market.
- c. If a DELETION request, extensive data proving that the coverage is generally available in the authorized market.

Extensive data includes:

- That which is compiled and reported to OFIR by the requester from a survey/search of Michigan insurers and producers (agents) that is far more extensive in nature than the coverage finding process required by Subsections [1910\(2\)\(d\)](#) and [1910\(3\)](#).
- For ADDITION requests, an indication of the type and number of Michigan consumers / businesses that are seeking this type of insurance.
- For ADDITION requests, a description of the circumstances for these Michigan consumers / businesses that lead to making the request with OFIR.
- For ADDITION requests, the requester should identify the number of other state insurance departments surrounding Michigan that consider the type of insurance to be a surplus line coverage because it is generally UNAVAILABLE in that state's insurance market.
- For DELETION requests, the requester should identify the number of other state insurance departments surrounding Michigan that consider the type of insurance to not be a surplus line coverage because it is generally AVAILABLE in that state's insurance market.

7. To what mail or email address should I send a request to add coverage to or delete coverage from the Export List?

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8. What telephone number should I call if I have questions?

517-373-4948 or 877-999-6442

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